

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0869-07
Bill No.: Truly Agreed To and Finally Passed SS for SCS for HCS for HB 470 and 429
Subject: Entertainment, Sports and Amusements; Taxation and Revenue - Income;
Revenue Dept.
Type: Original
Date: June 3, 2011

Bill Summary: Would change various provisions related to the nonresident athletes and entertainers tax program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the State Treasurer** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Revenue (DOR)** assume this proposal would have no fiscal impact on their organization but could Reduce Total State Revenue. DOR officials estimated that up to seven percent of the amount paid was submitted by 501(c)(3) organizations, or an estimated \$168,513. If the entertainers paid by the 501 (c)(3) organizations do not file returns and remit amounts equal to the two percent withholding, the state could potentially lose Total State Revenue.

Oversight assumes these provisions would eliminate the 2% withholding requirement for certain events but would not change the requirement for recipients to report and pay state income tax on their income from the event. Accordingly, Oversight will indicate no fiscal impact for the change in the withholding requirement.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) assume this proposal would exempt not-for-profit entities from collecting and remitting the nonresident athlete and entertainers tax. Any reduction in funding would reduce the amount available to address Missouri's Historic Preservation efforts.

DNR officials deferred to the Department of Revenue for estimates of the amount of Nonresidents Athletes and Entertainers Tax to be allocated each year. DNR officials stated that transfers to the Historic Preservation Revolving Fund were \$1,126,000 in FY 2008, \$873,000 in FY 2009, \$738,413 in FY 2010, and \$0 in FY 2011. The FY 2010 ending balance in the Historic Preservation Revolving Fund was \$2,240,289.

Officials from the **Department of Economic Development, Missouri Arts Council** (MAC) stated that the actual fiscal impact of exempting nonprofits from withholding is difficult to determine as there is no way to ascertain what portion of current tax collections are from nonprofit entities. However, reducing withholding by any presenter could potentially reduce compliance with tax collection. This, obviously, would have a negative impact on the Missouri Arts Council since 60% of those revenues are intended for this agency. Furthermore, not requiring nonprofits to withhold the tax doesn't benefit them as it is not their funds that are being paid, but the performer or athlete's. The performer is still required to comply, but without information being provided to the Department of Revenue.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed that the proposal would not result in additional costs or savings to their organization.

BAP officials stated that the proposal would exempt non-profit firms from remitting the withholding tax from a non-resident entertainers' income. However, the proposal does not exempt the entertainer from any subsequent income tax liability. Therefore, this proposal would have no impact on General and Total State Revenues.

ASSUMPTION (continued)

Oversight assumes that most performances by an entertainer at an event for a not-for-profit organization would be fund-raising events for that organization and notes that this proposal would not exempt that payment from withholding. Oversight also assumes that the circumstances under which a not-for-profit organization would pay an entertainer for a performance without realizing any benefit would be limited. Accordingly, Oversight assumes that any impact on Nonresident Athletes and Entertainers Tax collections would be minimal, and for fiscal note purposes Oversight will indicate no impact for this provision.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the Secretary of State

Office of the State Treasurer

Office of Administration

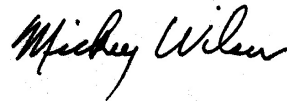
Division of Budget and Planning

Department of Economic Development

Missouri Arts Council

Department of Natural Resources

Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA

Director

June 3, 2011